

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking into the operation of interruptible load programs offered by Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company and the effect of these programs on energy prices, other demand responsiveness programs, and the reliability of the electric system.

Rulemaking 00-10-002
(Filed October 5, 2000)

**COMMENTS OF THE CALIFORNIA ENERGY COMMISSION
ON THE DRAFT DECISION OF COMMISSIONER WOOD
ON ESSENTIAL CUSTOMER SERVICE STATUS FOR REFINERIES**

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June 20, 2001

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Pursuant to Rule 77 of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission) and the June 13, 2001 ruling of Administrative Law Judge Carew, the California Energy Commission (CEC) respectfully offers these comments.

I. Background

The CEC participated in the technical workshops in this proceeding and also filed comments on both the Commission's Energy Division Report and Commissioner Wood's earlier draft decision. In response to the Commission's

express invitation, and in recognition of the CEC's responsibilities under Section 25216(a) of the Public Resources Code,¹ the CEC filed additional comments in this proceeding on fossil fuels and rotating outages on April 25, 2001.

The Draft Decision of Commissioner Wood amends the Priority System for Rotating Outages by adding a new category N, for petroleum refineries, vital ancillary facilities and other customers in the critical fuels chain of production

II. Definition of Petroleum Refinery

The CEC believes that only those refineries involved in the production of transportation fuels and their necessary blendstocks, which are under firm service, should qualify for an exemption. Accordingly, the use of Standard Industrial Classification (SIC) Code 2911 may be overinclusive. The CEC also believes that for purposes of this exemption, only those facilities on firm service receiving electrical supply at a transmission level, or distributed level under block 50 designation, should qualify. Further, those petroleum refineries with distributed level electrical supply currently in block 50 should not be removed from this designation.

Subject to the above qualifications, the CEC recommends that petroleum refineries be defined as those facilities that separate or alter the components in crude oil and convert them into usable fuels or feedstock for further processing.

Attachment A lists those petroleum refineries that the CEC believes meet the above definition at the present time. The CEC believes the most precise method

¹ This section mandates that the CEC undertake a continuing assessment of trends in the consumption of energy and analyze the social, economic and environmental

of identifying the refineries eligible for Category N is to name them. It is possible that additional refineries may begin operation in California and others may change ownership or designation. Accordingly, the CEC suggests that the Commission's Energy Division, in consultation with the CEC, make any future changes to Attachment A.

III. Definition of Vital Ancillary Facilities

The Draft Decision invites proposals for a precise definition of vital ancillary facilities.

As is the case with petroleum refineries, the CEC believes that for purposes of this exemption only those vital ancillary facilities on firm service receiving electrical supply at a transmission level, or distributed level under block 50 designation, should qualify. Further, those vital ancillary facilities with distributed level electrical supply currently in block 50 should not be removed from this designation.

Subject to the above qualifications, the CEC recommends that vital ancillary facilities be defined as those facilities that if curtailed during a rotating outage, would cause one or more petroleum refineries to significantly curtail production, or initiate a controlled shutdown or initiate an emergency shutdown of refinery operations .

Attachment B lists those vital ancillary facilities that the CEC believes meet the above definition at the present time. The CEC believes the most precise method

consequences of these trends.

of identifying the facilities eligible for Category N is to name them. It is possible that additional vital ancillary services may begin operation in California or others may change ownership or designation. Accordingly, the CEC suggests that the Commission's Energy Division, in consultation with the CEC, make any future changes to Attachment B.

There are a number of petroleum refineries and vital ancillary facilities that are not receiving electrical supply at a transmission level, or distributed level under block 50 designation. The CEC recognizes that these facilities, listed under Attachment C, meet the spirit and intent of the definitions recommended for petroleum refinery and vital ancillary facility, but they do not meet the more restrictive level of service criteria. Further, the CEC recommends that these facilities should still be considered for essential customer classification designation N, where feasible.

CEC further understands that their inclusion could mean a significant amount of electrical load would be unavailable for rotating outages. The CEC recommends that the Commission order the utility to investigate the feasibility of reconfiguring these specific customers to a block 50 designation.

IV. Refined Petroleum Products at Airports

The CEC has no comments on this issue.

V. Conclusion

In addition to the CEC, the federal Department of Energy (DOE) is also concerned about the continuing ability of the state's refineries to meet production

goals given the continuing threat of blackouts. The Energy Information Administration of DOE on June 12, 2001 issued a report on Electricity Shortage in California: Issues for Petroleum and Natural Gas Supply.² The report notes that any loss of production from California refineries could increase product prices. According to the Report, past disruptions to California refinery operations have resulted in price spikes ranging from 7 to 52 cents per gallon.

The CEC has noted its statutory responsibilities with respect to petroleum products. The definitions and the Attachments for these comments were developed with a view toward the narrowest exemption that would meet the CEC's goal of protecting the state's supply of critical fuels. For the reasons noted above, the CEC urges the Commission to define the "petroleum refineries" and vital ancillary facilities as described above, and to specify that the customers listed on Attachments A and B currently meet all the criteria of these proposed definitions.

The CEC has provided information based on data available. It is possible that there are other customers who believe they meet the CEC's definition of petroleum refinery or vital ancillary facility, but are not included on Attachment A or B. The CEC recommends that these customers apply to the Energy Division, which, in consultation with the CEC, can determine whether they should be included on the lists for Category N.

The CEC does not support expanding Category N to other customers in the critical fuel chain of production. The CEC believes that the petroleum refineries and

² See <http://www.eia.doe.gov/emeu/steo/pub/special/california/june01article/caprices.html>

vital ancillary facilities comprise the universe of customers in the critical fuel chain of production.

The CEC is sensitive to the need for the utilities to maintain 40% of their total load for rotating outage. The CEC believes that the very narrow exemption and limited number of customers for Category N will not jeopardize this criterion.

The CEC appreciates this opportunity to provide its comments.

Respectfully submitted

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Attachments

Attachment A

The petroleum refineries that meet the CEC recommended definition under proposed essential customer classification designation N are as follows:

<u>Petroleum Refinery</u>	<u>Location</u>	<u>Service Territory</u>
Chevron	Richmond	PG&E
Equilon	Bakersfield	PG&E
Equilon	Martinez	PG&E
Golden Bear	Bakersfield	PG&E
Kern Oil & Refining	Bakersfield	PG&E
Tosco	Rodeo	PG&E
Tosco	Santa Maria	PG&E
Valero	Benicia	PG&E
Valero Asphalt Plant	Benicia	PG&E
<u>Total Peak Load Purchased From Grid</u>		146 MW
Chevron	El Segundo	SCE
ExxonMobil	Torrance	SCE
Tenby	Oxnard	SCE
Tosco	Carson	SCE
<u>Total Peak Load Purchased From Grid</u>		128 MW

Attachment B

The vital ancillary facilities that meet the CEC recommended definition under proposed essential customer classification designation N are as follows:

<u>Vital Ancillary Facility</u>	<u>Location</u>	<u>Service Territory</u>
Air Products — Hydrogen Plant	Carson	SCE
ARCO — Polypropylene Plant	Carson	SCE
<u>Total Peak Load Purchased From Grid</u>		19 MW

Attachment C

The CEC recognizes that the following facilities meet the spirit and intent of the definitions recommended for petroleum refinery and vital ancillary facility, but they do not meet the more restrictive level of service criteria. Further, the CEC recommends that these facilities should still be considered for essential customer classification designation N, where feasible.

<u>Petroleum Refinery</u>	<u>Location</u>	<u>Service Territory</u>
San Joaquin	Oildale	PG&E
Lunday Thagard	Southgate	SCE

<u>Vital Ancillary Facility</u>	<u>Location</u>	<u>Service Territory</u>
Equilon — Sulfur Plant	Wilmington	SCE

<u>Total Peak Load Purchased From Grid</u>	8 MW
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